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C O N F I D E N T I A L SECTION 01 OF 03 BAGHDAD 000453

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TAGS: [EAGR](#) [ECON](#) [EAID](#) [ETRD](#) [EWWT](#) [PGOV](#) [IZ](#)
SUBJECT: UMM QASR PORT NEED FOR CAPACITY BUILDING AND
BUDGET EXECUTION

REF: 2006 BAGHDAD 4576

Classified By: Minister Counselor for Economic Affairs, Daniel Weygandt
for reasons 1.4 (b) and (d)

11. (SBU) Summary. On February 1, a visit by the Iraq Reconstruction Management Office's (IRMO) Director of Operations for Electricity and Oil, its Trade Office, and Econ officers to the Government of Iraq's (GoI) port facilities at Umm Qasr (PUQ) provided a first-hand look at the chaotic, inefficient and corrupt conditions at PUQ. The group inspected infrastructure projects, discussed with port management new inspection procedures for the imported food for the Public Distribution System (PDS), and discussed with a logistics-and-distribution US contractor at PUQ its difficulties in working in the PUQ environment. It is evident that improved capacity building and budget execution are needed to address many of the PUQ's problems. End Summary.

Call on the Port

12. (U) On February 1, IRMO's Director of Operations for Electric and Oil, and its Trade office, along with Embassy Econ traveled to the visit GoI's port operations in Umm Qasr (PUQ). The trip was arranged so IRMO could review several infrastructure projects, and Embassy Econ and IRMO's Trade office could discuss issues related to the PDS with PUQ management.

Infrastructure Improvements

13. (U) The party visited an under-construction roll-on roll-off (RORO) dock. A significant amount of trade arrives at the port on trucks loaded by the suppliers outside of Iraq and brought into the country on the ferries via the RORO. Although a relatively expensive way to ship, suppliers use this method to ensure their goods arrive in Iraq intact, since using Iraqi shipping companies can result in tampering and out-right theft of their goods. The new RORO dock is being built to handle more of this type of traffic and construction appears to be proceeding smoothly. (Note: Right next to the dock-under-construction is a large, wrecked ship lying on its right side, and another large ship, run aground and rusting, that serve as reminders of how much more work needs to be accomplished to improve the PUQ. End Note.)

Ready to Go, but Not Going Anywhere Soon

14. (C) Next the party visited with Agility - Defense and Government Services, a US contractor that handles USG goods that arrive at the PUQ. Officials of the company said that operations at the port are hampered by security and infrastructure issues, but they also encounter difficulties with port management. The company appears to have a good relationship with the official manager of the port, but there are other actors in the area that impede smooth operations. Specifically they said that the Director of the Office of Water and Electricity at the port appears to wield more authority at the PUQ than is suggested by his title. (Note: It is not clear whether this position is a bona fide office or a cover for other unspecified activities. End Note.) Agility officials consider this person to be a serious impediment to their operations since he is constantly harassing its local employees, and threatening to close their facility for non-payment of "rent" and other "violations." Port management appears unable or unwilling to counter his threats and actions. Agility also stated that the Jaysh al-Mahdi could close the port "within 30" minutes if it wanted.

15. (C) Agility brought the group to a several-acre yard within its secured facility at PUQ containing over a thousand trucks and automobiles and industrial-scale electrical generating equipment, either purchased by the USG for the GoI or donated by other countries for the benefit of the GoI. The vehicles include police-suitable automobiles, four-wheel drive pick-up trucks, large tow trucks, flat bed trailers, diesel trucks, and some military vehicles. According to Agility, the vehicles are not being forwarded to the end-user because of the inability of various local and national Iraqi government entities to receive the goods, compounded by

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management inefficiencies at the PUQ.

Capacity Building and Budget Execution to the Rescue

16. (U) The group met with port management officials to discuss issues related to PUQ operations, such as dredging and security, but also the new system of inspection and ship off-loading operations especially with regard to products bound for the PDS that provides food items virtually free to Iraqi citizens. The chief engineer of the port said that his office was able to maintain a daily dredging schedule of 4 thousand square meters (SM), but they need more equipment to conduct approximately 12 thousand SM of dredging to ensure smooth operations at the PUQ. When asked about the security situation the Port Manager, Mr. al-Sawafy, said that the port is secure, but that port workers had difficulty getting to the port from Basra. The port employs about 1,400 people, but only 700 go to work on a daily basis.

17. (U) IRMO discussed the new inspection procedure instituted by the Ministry of Trade (MoT) for the PDS foodstuffs coming to the PUQ. Samples are taken from the ships as they enter the Persian Gulf near UAE, delivered via FedEx to the testing laboratory in Baghdad, and then delivered to the PUQ coinciding -- in theory -- with the arrival of the ship. The local Grain Board of Iraq (GBI) official from the MoT argued for a testing facility to be established in Basra. (Note: According to the local GBI, there is a lab in Basra that is almost fully equipped. GBI officials asked for help in obtaining the last pieces of equipment needed to make the lab functional. End Note.) IRMO told the group that the Minister of Trade believes a separation of the testing facility from the PUQ is a good check on malicious manipulation of the inspection system. IRMO also informed the group that the MoT will share the bonus paid by shippers for quick unloading among the MoT port officials responsible for the quick work. Members of port offices other than those related to MoT asked that this bonus be shared with everyone

involved at the PUQ, not just the MoT officials. (Note: Ports fall under the authority of the Ministry of Transportation. End note.)

¶18. (U) Mr. Sa'ad Abed from the Umm Qasr -- Commercial Operations Center asked if it would be possible for the USG to help the PUQ find consultants and money to help them improve its facilities. Embassy officials pointed out that there is \$10 billion for capital expenditures in the 2007 GoI budget. The port officials asked if they could be told how to access this money. The Port Manager claimed that the budget for the port is approximately \$70 (100 thousand ID) per year. (Note: Per refTel Ports of Entry (PoE) in Iraq are expected to supply money for their operations from fees charged in the PoE's operations, thus they are allocated little to no operating budget. End Note.)

Food Glorious Food

¶19. (U) After the meeting with the port management group, Mr. Wadi GH Marhoon of the GBI met Embassy Officials for a tour of one of the four docks dedicated to unloading foodstuffs for the PDS. At the dock a ship carrying US wheat had recently completed unloading approximately 50 thousand metric tons (MT) and was waiting to depart. The wheat is removed via a spout and transported via conveyor belt to the grain silos near the dock. The wheat is then bagged and picked up by trucks to be delivered to the PDS distribution centers. According to Mr. Marhoon, the capacity for the unloading equipment is approximately 12 thousand MT/day, but GBI is able to unload only six thousand MT/day currently due to deterioration of the equipment.

Have Cranes, Need Power

¶110. (SBU) The last stop on the PUQ tour was a site where two large cranes provided by the USG have been sitting idle for over a year. According to the Corps of Engineers representative at Umm Qasr, the problem is supplying electrical power to the cranes. Currently a generator is being put in place to provide the needed electricity; however, vexing technical issues prevent the generator from coming on-line. Sorting out the problem requires technical experts from the manufacturing company to fix the generator

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on-site.

Comment

¶111. (C) The visit to Umm Qasr underscored how important is budget execution for Iraq. Many of the problems indicated by the port officials could be addressed if the GoI were able to meaningfully execute its capital budget -- facilities could be refurbished and needed equipment purchased that would greatly improve conditions at the port. Corruption at the PUG is a serious impediment to improved operations. The operator of the ship unloading the wheat (see para 9) provided information to post subsequent to the visit that a "rodent" was found in one of the holds by a local Iraqi cleaning crew. This required another round of testing by the GBI and delayed the departure of the ship. The ship owner pointed out that this "rodent problem" occurs only at PUQ. The GoI's flagitious behavior deters first-class shippers from accepting contracts to deliver to PUQ, and probably will require the GoI to pay higher shipping-fees to second-class shippers.

¶112. (SBU) Another crucial need illustrated by the visit is capacity building, since the GoI officials asked USG

officials how to access money budgeted for capital improvements in their own country's budget. Embassy officials also noted that it appeared that the port officials did not seem to communicate well with one another other at the PUQ. The answers to many questions asked of the USG officials during the meeting could have been obtained from individuals seated on the GoI's side of the table. It also appeared that the communication connection between the provincial authorities and government in Baghdad is weak. End Comment.
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